

Senate File 2139 - Introduced

SENATE FILE 2139

BY HATCH

A BILL FOR

1 An Act relating to economic development by creating rural
2 opportunity zones, a student loan repayment program and
3 fund, an individual income tax credit, and including
4 applicability provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. NEW SECTION. 15E.185 Rural opportunity zones.

2 1. The economic development authority shall designate a
3 county of this state as a rural opportunity zone if it meets
4 the eligibility criteria in section 15E.186. A county shall
5 remain designated as a rural opportunity zone until it loses
6 its designation from the authority. A county may lose its
7 designation as a rural opportunity zone if events subsequent
8 to its designation cause it to lose eligibility because it
9 no longer meets the criteria specified in section 15E.186.
10 However, a county shall not lose its designation as a rural
11 opportunity zone during its participation in the student loan
12 repayment program under section 15E.188.

13 2. A county may apply to the authority for designation as a
14 rural opportunity zone. The application shall be made by the
15 county board of supervisors in the form and manner prescribed
16 by the authority. The authority shall consider each county for
17 designation as a rural opportunity zone, even if the county
18 does not submit an application.

19 3. The authority shall review the eligibility of each county
20 in this state as a rural opportunity zone at least annually.

21 Sec. 2. NEW SECTION. 15E.186 Rural opportunity zone
22 eligibility criteria.

23 A county may be designated by the authority as a rural
24 opportunity zone if it meets at least two of the following
25 criteria:

26 1. The county has an average weekly wage that ranks among
27 the bottom twenty-five counties in the state based on the 2010
28 annual average weekly wage for employees in private business.

29 2. The county has a per capita income of twelve thousand six
30 hundred forty-eight dollars or less based on the 2010 certified
31 federal census.

32 3. The county has a family poverty rate of twelve percent or
33 higher based on the 2010 certified federal census.

34 4. The county has a family poverty rate that ranks among
35 the top twenty-five counties in the state based on the 2010

1 certified federal census.

2 5. The county has experienced a percentage population
3 loss that ranks among the top twenty-five counties in the
4 state between 2005 and 2010. For purposes of this subsection,
5 prison population shall be excluded in the population loss
6 calculations.

7 6. The county has a percentage of persons sixty-five years
8 of age or older that ranks among the top twenty-five counties
9 in the state based on the 2010 certified federal census.

10 7. Ten percent or more of the housing units are vacant in
11 the county.

12 8. The valuations of each class of property in the county
13 is seventy-five percent or less of the statewide average for
14 that classification based upon the most recent valuations for
15 property tax purposes.

16 9. A recent business closure or permanent layoff has
17 occurred in the county. The business closure or permanent
18 layoff must involve the loss of full-time employees, not
19 including retail employees, at one place of business totaling
20 at least one thousand employees or four percent or more of
21 the county's resident labor force based on the most recent
22 annual resident labor force statistics from the department of
23 workforce development, whichever is lower. A permanent layoff
24 does not include a layoff of seasonal employees or a layoff
25 that is seasonal in nature. For purposes of this paragraph,
26 "*permanent layoff*" means the loss of jobs to an out-of-state
27 location, the cessation of one or more production lines, the
28 removal of manufacturing machinery and equipment, or similar
29 actions determined to be equivalent in nature by the authority.
30 For purposes of this subsection, a permanent layoff must occur
31 on or after the effective date of this Act.

32 Sec. 3. NEW SECTION. 15E.187 Student loan repayment program
33 fund.

34 A student loan repayment program fund is created in
35 the state treasury under the authority of the economic

1 development authority. The fund shall consist of all moneys
2 appropriated to it by the general assembly. The moneys in the
3 fund are not subject to the provisions of section 8.33 and
4 shall not be transferred, used, obligated, appropriated, or
5 otherwise encumbered except as provided in section 15E.188.
6 Notwithstanding section 12C.7, subsection 2, earnings or
7 interest on moneys appropriated pursuant to this section shall
8 be retained by the fund and used for the purposes designated
9 until expended.

10 Sec. 4. NEW SECTION. 15E.188 Student loan repayment
11 program.

12 1. For purposes of this section, unless the context
13 otherwise requires:

14 a. *"Outstanding student loan debt"* means the student loan
15 debt balance of a participating individual at the time of
16 enrollment in the program, which debt was incurred by the
17 participating individual for attendance at an institution of
18 higher education where such participating individual earned an
19 associate, bachelor, or postgraduate degree. For purposes of
20 this paragraph, *"institution of higher education"* means the same
21 as defined in section 12D.1.

22 b. *"Participating county"* means a county which has created a
23 county component in the program pursuant to subsection 4.

24 c. *"Participating individual"* means an individual that has
25 enrolled in the program pursuant to subsection 5.

26 d. *"Program"* means the student loan repayment program
27 established pursuant to this section, which program includes
28 both a county component and a matching component.

29 e. *"Qualifying individual"* means an individual that meets
30 the eligibility requirements in subsection 3, paragraph "a",
31 for participation in the program.

32 2. There is established a student loan repayment program
33 within the economic development authority. The program shall
34 consist of a county component for each participating county and
35 a matching component of the economic development authority for

1 the purpose of providing student loan repayment assistance on
2 the outstanding student loan debt of participating individuals.

3 3. A county designated as a rural opportunity zone pursuant
4 to sections 15E.185 and 15E.186 may participate in the program
5 if it creates and implements a county component. A county
6 component shall contain the uniform terms and conditions
7 prescribed by the authority, and shall meet the following
8 minimum qualifications:

9 a. The county component shall only apply to resident
10 individuals that have outstanding student loan debt and that
11 establish domicile in the applicable county on or after the
12 county adopts a resolution creating a county component pursuant
13 to subsection 4, and prior to July 1, 2017.

14 b. The county component shall provide that participating
15 individuals are entitled to full participation in the county
16 component for five years, provided the participating individual
17 remains domiciled within that county for the entire five-year
18 period. Any participating individual that establishes domicile
19 outside of the county for which the individual first qualified
20 shall become ineligible to continue participation in the
21 program.

22 c. The county, through its county component, shall agree
23 to repay, subject to the availability of matching payments by
24 the economic development authority in subsection 6, over a
25 five-year period, the lesser of ten percent of the outstanding
26 student loan debt of the participating individual or seven
27 thousand five hundred dollars of the outstanding student
28 loan debt of the participating individual. A participating
29 individual must remain domiciled in the applicable county for
30 an entire calendar year to receive repayment assistance for
31 that year.

32 4. A county which creates and implements a county component
33 must provide to the authority a duly adopted resolution from
34 its board of supervisors on or before January 1, 2013. The
35 resolution shall be irrevocable and shall obligate the county

1 to participate in the program for a period of five years for
2 each participating individual.

3 5. A qualifying individual shall enroll in both the county
4 component and the matching component of this program in the
5 form and manner prescribed by the authority.

6 6. *a.* The authority shall, subject to the availability
7 of moneys in the student loan repayment program fund, match
8 repayments made by a participating county under its county
9 component for each participating individual up to the maximum
10 amount specified in subsection 3, paragraph "c".

11 *b.* Annual repayments of outstanding student loan debt
12 by a participating county under its county component of the
13 program, and matching repayments by the economic development
14 authority under the matching component of the program shall
15 be made following the close of a calendar year and following
16 the participating individual's certification by the authority
17 and the applicable county that the participating individual
18 is entitled to repayment assistance pursuant to the program.
19 Repayments will be made directly to the lender of the
20 participating individual's outstanding student loan debt.

21 *c.* The maximum aggregate amount that any participating
22 individual may receive from the county component and matching
23 component of this program shall not exceed the lesser of
24 twenty percent of the outstanding student loan debt of the
25 participating individual or fifteen thousand dollars of the
26 outstanding student loan debt of the participating individual.

27 *d.* Repayment assistance from the authority under the
28 matching component of this program is subject to the
29 availability of moneys in the student loan repayment program
30 fund. Nothing in this section guarantees a participating
31 individual a right to receive benefits provided in this
32 section. A county may provide repayment assistance under its
33 county component even if insufficient funds exist for the
34 economic development authority to provide matching funds under
35 the matching component.

1 7. The authority shall adopt rules under chapter 17A
2 relating to the administration of this section.

3 Sec. 5. NEW SECTION. 15E.189 **Future repeal.**

4 This division is repealed on June 30, 2023.

5 Sec. 6. NEW SECTION. 422.11I **Rural opportunity zone tax
6 credit.**

7 1. As used in this section, unless the context otherwise
8 requires, "*rural opportunity zone*" means any county designated
9 by the economic development authority as a rural opportunity
10 zone pursuant to sections 15E.185 and 15E.186.

11 2. The taxes imposed under this division, less the credits
12 allowed under section 422.12, shall be reduced by a rural
13 opportunity zone tax credit. To be eligible for the credit,
14 the taxpayer must meet all of the following requirements:

15 a. The taxpayer must be a resident individual who was
16 domiciled in a rural opportunity zone in this state during
17 the entire tax year. A taxpayer domiciled in a county that
18 has lost its designation as a rural opportunity zone shall be
19 considered to be domiciled in a rural opportunity zone, so long
20 as the taxpayer established domicile in that county while the
21 county was designated as a rural opportunity zone.

22 b. The taxpayer established domicile in a rural opportunity
23 zone on or after July 1, 2012, and prior to January 1, 2017.

24 c. The taxpayer was domiciled outside of this state for five
25 or more years immediately prior to establishing domicile in a
26 rural opportunity zone.

27 d. The taxpayer had Iowa source net income of less than
28 ten thousand dollars in any one year for each of the five
29 years immediately prior to establishing domicile in a rural
30 opportunity zone.

31 e. The taxpayer's tax return on which the credit is claimed
32 is timely filed, including any extension of time to file.

33 f. The taxpayer is not currently delinquent in filing
34 any tax return with this state nor does the taxpayer have
35 delinquent accounts, charges, fees, loans, taxes, or other

1 indebtedness owed to this state or a political subdivision of
2 this state.

3 3. a. The credit shall be an amount equal to the taxpayer's
4 income tax payable to this state under this division, computed
5 without regard to the credit allowed under this section,
6 the credit for withheld tax allowed under section 422.16,
7 subsection 9, and the credit for estimated tax paid under
8 section 422.16, subsection 11, paragraph "d".

9 b. The maximum amount that may be refunded to a taxpayer
10 in any tax year the credit allowed under this section is
11 claimed shall not exceed the sum of the amount withheld from
12 the taxpayer's wages or other income pursuant to section
13 422.16, subsection 1, for the tax year, plus the amount paid
14 as estimated tax by the taxpayer pursuant to section 422.16,
15 subsection 11, for the tax year.

16 c. A taxpayer may claim the credit allowed under this
17 section for not more than five consecutive tax years following
18 establishment of the taxpayer's domicile in a rural opportunity
19 zone pursuant to subsection 2, paragraph "b".

20 4. This section is repealed on June 30, 2022.

21 Sec. 7. APPLICABILITY. The following provision or
22 provisions of this Act apply to tax years beginning on or after
23 January 1, 2013, and ending on or before December 31, 2021:

24 1. The section of this Act enacting section 422.11I.

25 EXPLANATION

26 This bill relates to economic development by creating rural
27 opportunity zones within this state, a student loan repayment
28 program and fund, and an individual income tax credit.

29 The bill provides that the economic development authority
30 shall designate counties of this state as rural opportunity
31 zones if they meet certain criteria. A county may apply to
32 the authority for designation as a rural opportunity zone, but
33 application is not required for designation by the authority.
34 Once designated as a rural opportunity zone, a county may be
35 undesignated by the authority if events subsequent to its

1 designation cause it to no longer be eligible. However, a
2 county shall not lose its designation as a rural opportunity
3 zone during its participation in the student loan repayment
4 program described in the bill. The authority is required to
5 review the eligibility of each county in this state as a rural
6 opportunity zone at least annually.

7 A county is eligible to be designated as a rural opportunity
8 zone if it meets at least two of nine criteria specified in
9 the bill relating to per capita income, average weekly wages,
10 family poverty rate, population loss, aging population, housing
11 vacancies, property valuations, or recent business closures or
12 permanent layoffs.

13 Rural opportunity zone designations are repealed on June 30,
14 2023.

15 The bill creates a student loan repayment program within the
16 economic development authority for the purpose of providing
17 student loan repayment assistance on the outstanding student
18 loan debt of certain individuals. The program consists of a
19 county component for each participating county and a matching
20 component of the state. Qualifying individuals may enroll in
21 both the county component and the matching component of the
22 student loan repayment program.

23 Each county designated by the authority as a rural
24 opportunity zone is eligible to create and implement a county
25 component within the student loan repayment program. Each
26 county component is required to contain the uniform terms and
27 conditions prescribed by the authority and shall have certain
28 minimum qualifications. First, the county component shall only
29 apply to resident individuals that have outstanding student
30 loan debt and that establish domicile in that county on or
31 after the county creates the county component of the program,
32 and prior to July 1, 2017. Second, the county component shall
33 provide that participating individuals are entitled to full
34 participation in the county component for five years, provided
35 the participating individual remains domiciled within that

1 county for the entire five-year period. Third, the county
2 component shall agree to repay, subject to matching payments by
3 the authority over a five-year period, the lesser of 10 percent
4 of the outstanding student loan debt of the participating
5 individual, or \$7,500 of the outstanding student loan debt of
6 the participating individual. A participating individual must
7 remain domiciled in the applicable county for the entirety
8 of a calendar year to receive repayment assistance for that
9 year. After a county creates and implements its county
10 component, it is required to provide a duly adopted resolution
11 to the authority by January 1, 2013. The resolution shall be
12 irrevocable and shall obligate the county to participate in the
13 program for a period of five years per individual.

14 Participating individuals who remain domiciled in that
15 county are eligible to receive repayment assistance from
16 the county component. In addition, the authority, through
17 the matching component, shall match each payment made under
18 the county component up to the lesser of 10 percent of the
19 outstanding student loan debt, or \$7,500 of the outstanding
20 student loan debt. The maximum amount of repayment assistance
21 that an individual may receive under the program shall not
22 exceed the lesser of 20 percent of the outstanding student loan
23 debt or \$15,000.

24 Matching payments from the authority shall be made from
25 a student loan repayment program fund created in the bill
26 and are subject to the availability of moneys in the fund.
27 Participating individuals are not guaranteed a right to receive
28 repayment assistance under the program. A county may, but is
29 not required, to provide repayment assistance under its county
30 component even if insufficient funds exist for the authority
31 to provide matching funds. The student loan repayment program
32 is repealed on June 30, 2023.

33 The bill provides an individual income tax credit for
34 taxpayers that are domiciled in a rural opportunity zone.
35 To be eligible for the credit, the taxpayer must meet

1 seven requirements. First, the taxpayer must be a resident
2 individual. Second, the taxpayer must have been domiciled in
3 a rural opportunity zone for the entire tax year. Third, the
4 taxpayer must have established domicile in a rural opportunity
5 zone on or after July 1, 2012, and prior to January 1, 2017.
6 Fourth, the taxpayer must have been domiciled outside this
7 state for five or more years immediately prior to establishing
8 domicile in a rural opportunity zone. Fifth, the taxpayer
9 must have had Iowa source net income of less than \$10,000 in
10 any one year for each of the five years immediately prior to
11 establishing domicile in a rural opportunity zone. Sixth, the
12 taxpayer's tax return on which the rural opportunity zone tax
13 credit is claimed is timely filed, including any extension of
14 time to file. Seventh, the taxpayer must not be delinquent in
15 filing any tax return with this state or have any indebtedness
16 owed to the state or a political subdivision of the state.

17 The tax credit is equal to the taxpayer's total individual
18 income tax owed to the state, computed without regard to
19 reductions for the rural opportunity zone credit, withholding
20 on the taxpayer's wages or other income, and any estimated tax
21 payments made by the individual. The maximum amount that may
22 be refunded to a taxpayer in any year the rural opportunity
23 zone tax credit is allowed shall not exceed the sum of the
24 taxpayer's withholding on wages or other income for that year,
25 plus the estimated tax payments made for that year.

26 The tax credit is allowed for five consecutive years
27 following the year the taxpayer first establishes domicile in a
28 rural opportunity zone. The rural opportunity zone tax credit
29 applies to tax years beginning on or after January 1, 2013,
30 and ending on or before December 31, 2021. The tax credit is
31 repealed on June 30, 2022.